SINGAPORE BUDGET 2019

Full Report

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I. PREAMBLE

i. Outlook of 2018 and 2019

On 18 February 2019, Finance Minister Heng Swee Keat delivered the 2019 Budget Statement in Parliament.

In 2018, the Singapore economy grew by 3.2%, with the overall budget at a surplus of S$2.1 billion or 0.4% of GDP — a $2.7 billion increase from the S$0.6 billion deficit forecast a year ago. Heng stated that this was due to the unexpected two-year suspension of the Kuala Lumpur-Singapore High-Speed Rail Project and higher than expected stamp duty collections.

This year, the government has projected an overall budget deficit of S$3.5 billion. Heng stated that apart from an increase in the total expenditure of government ministries, part of the deficit would also be a result of S$6.1 billion being set aside for the "Merdeka Generation" Package (support for the citizens born between 1950 and 1959) and S$5.1 billion being set aside for long-term care support.

Overall, GDP growth in 2019 is expected to be around 1.5% to 3.5%, according to the Ministry for Trade and Industry. The construction industry is expected to shrink this year at a slower pace: at 3.5% instead of 4.2%. Finally, manufacturing is expected to grow at a slower pace of 7.4%, down from 7.6% of 2018.

With respect to this year's budget, Heng stated that the aim was to continue building up Singapore to face these four challenges:

1. The shift in global economic weight towards Asia;
2. Rapid technological advancements;
3. Changing demographic patterns,
4. Decline in the support for globalisation.

Heng elaborated that these challenges would be met by making Singapore:

- A global city and home for all;
- A caring and inclusive society;
- A vibrant and innovative economy;
- Safe and secure.

ii. When can your business benefit from the Budget 2019?

1. If you made overseas business development or investment trips during the year;
2. Contributed to overseas pension or provident funds in respect of your employees;
3. Acquired Intellectual Property Rights;
4. Incurred expenditure (i.e. local staff costs and/or consumables) on R&D projects performed in Singapore in financial year (FY) 2018;
5. Gave wage increases to Singapore Citizen employees;
6. Employed older Singaporean workers (aged 55 years and above).

iii. Singapore business environment facts:

1. In the “World Bank Doing Business Report 2019”, Singapore ranks 2nd out of 190 economies due to its ease of business establishment and running of operations, governmental support and initiatives and efficient tax system and transparency laws;
2. 2018 saw the highest growth in new company formation in Singapore;
3. Greater diversity in country of origin for new company incorporations;
4. Foreign Direct Investment (FDI) inflow in Singapore continues to increase. Singapore climbed up in terms of global FDI rankings;
5. Most attractive destination in Asia Pacific for MNCs to set up their regional headquarters;
   The reason is Singapore is considered to be a very strong investor protector. As a result, there are at least 7000 MNCs that have decided to place their regional headquarters in Singapore.

iv. Singapore Budget 2019 Breakdown

To ensure that Singapore firms and workers remain competitive and stay relevant to the world, Budget 2019 has set aside $4.6 billion over the next three years to support industry transformation in three key areas: Enterprise capabilities ($1 b), Workers’ capabilities ($3.6 b), Partnerships across the world (unspecified budget).

II. ENTERPRISE CAPABILITIES

The government will continue to encourage SMEs to embrace productivity solutions and to adopt digital technologies by providing support in three areas: providing customised assistance, better financing options, supporting technology adoption.

These measures are mostly subsidized programs and grants aimed at the manufacturing industries in order to aid with the research, creation and development of new technologies and industrial solutions: for example, to scale-up the SG Programme and Innovation Agents (to help SMEs reduce costs to purchase or develop operational software); the Go Digital programme; the SME Co-Investment Fund (for private sector investors); the Cross-border Innovation Platform; the Automation Support Package and the SME Working Capital Loan; Enterprise Development Grant and Productivity Solutions Grant; the Enterprise Financing Scheme; create new R&D and Centres of Innovation across Singapore to focus on more scientific facilities; the “One-stop portal” to enquire about governmental information from one single portal for all government branches.

It is to be noted that the grants and allowances mentioned above are usually rebates only available for parts of the total costs incurred and only for companies and SME that have at least 30% shareholding held by Singapore citizens.

III. WORKERS’ CAPABILITIES

The government will help Singapore workers thrive amid industry and technological disruptions over the next three years. The Government will continue to invest in people across all stages of their lives, from pre-school, especially now that the regulations surrounding foreign working manpower are becoming even more stringent.

Some of the measures that will be taken to develop local workers' capabilities are:

1. The Global Ready Talent program;
2. The Professional Conversion Programme: workers will be subsidized to change their careers towards growth areas such as blockchain, software and prefabrication;
3. Career Support Programme: The subsidising of wages of rehired elder, retrenched or unemployed Singaporeans is extended by two years;
4. The government will be engaging in a reduction of the foreign worker quota in the services sector. Currently, the quota of Service Sector Dependency Ratio Ceilings (DRCs) (i.e. semi-skilled and mid-skilled working visa holders) in the service sector stands at 40%. The intention of the government is to reduce this to 38% from 2020 and to 35% from 2021. As for the quota of Sub-DRC (i.e. mid-skilled working visa holders) it currently stands at 15%. The intention of the government is to reduce this to 13% from 2020 and 10% from 2021;
5. The Special Employment Credit (SEC) and Additional SEC: extended to 31 Dec 2020. These schemes incentivise and encourage employers to (re)-hire elderly local workers;
6. Education top-ups: $150 top-ups to children's Edusave accounts and $500 top-ups to Post-Secondary Education Accounts for 17 to 20-year old Singaporeans.

IV. PARTNERSHIPS

Building up global partnerships, so that firms and people can forge new areas of collaboration with other innovation centres. The Government recognizes the significant role that trade associations and Chambers (TACs) play in helping local enterprises to grow their external wings.

The Local Enterprise and Association Development programme will aim to strengthen support for Trade Associations and Chambers (TACs).

Five-year roadmaps for TACs will help TACS take on a more strategic and longer-term approach in driving industry transformation, and gain access to funding.

The Global Innovation Alliance (GIA) will provide entrepreneurs and students new opportunities to learn and build global networks.

The Singapore FinTech Festival and the Singapore Week of IT will be held in mid-November. They will help to maximise efforts in bringing the global innovation community to Singapore together, and foster opportunities to explore and collaborate.

i. Roundup of EUSFTA

A first step already taken in 2019 towards the building of global partnerships has resulted in the European Parliament giving its consent on 13 February 2019 to the EU-Singapore Free Trade Agreement (EUSFTA), EU-Singapore Investment Protection Agreement (EUSIPA) and EU-Singapore Partnership and Cooperation Agreement (ESPCA). The EUSFTA and EUSIPA are the first trade and investment agreements concluded between the EU and a member state of the Association of Southeast Asian Nations (ASEAN). The landmark EUSFTA will eliminate tariffs and give businesses across various sectors, especially small and medium-sized enterprises (SMEs), better market access.

The EU is Singapore's first largest market for services trade partner with bilateral trade of $79 billion, and third largest overall trading partner with bilateral trade in goods exceeding $114 billion in 2018. Singapore is also the largest EU trading partner in ASEAN, with more than 10,000 EU companies established in Singapore to serve the Asia-Pacific region. In 2018, Singapore's total exports in goods to the EU were about S$49 billion, while imports from the EU totalled about S$65 billion. The EU is the largest investor in Singapore, FDI stock in Singapore at over $376 billion.

The EUSFTA established that Singapore will remove tariffs on all EU products entering Singapore, while the EU will remove tariffs on 84% of all Singapore products entering the EU within the first year, with the remaining 16% to follow over a period of three to five years.

Further, the EUSFTA will also be a game changer for ASEAN's flourishing supply chains and will solidify Singapore at the center of this trade activity. This will happen through several manufactured goods coming under a concept within the EUSFTA known as "ASEAN cumulation". In other words, all manufactured goods that will have part of their supply chain located in Singapore, will be considered "Singapore goods" for the purposes of the EUSFTA.

The EUSFTA removes technical and non-tariff barriers to trade in goods such as Electronics, Motor vehicles and vehicle parts. Pharmaceuticals and medical devices, Equipment for renewable energy generation, Raw and processed products of animal and plant origin.

Singapore will evaluate the performance of the EU's inspection and certification systems for meat producing establishments rather than requiring its own authorities to inspect each individual abattoir or food processing plant individually before it can export.

V. OTHER TAX CHANGES

i. For Individuals.

a. Personal income tax rebate for YA2019.
   A 50% tax rebate will be granted to all tax resident individuals (foreign and local) for YA 2019 (i.e. for income earned in 2018). The rebate will be capped at $200 per taxpayer.

b. Grandparent Caregiver Relief.
   Working mothers can claim up to $3,000, if they who engage the help of the following to take care of their children: such as parents, grandparents, parents-in-law, grandparents-in-laws (including those of ex-spouses) of the child's age with effect from YA 2020.
   This program currently only applies to children 12 years and below. From YA 2020, all handicapped and unmarried children, regardless of age, will be included.

c. NOR Scheme (Not Ordinarily Resident Scheme).
   This programme was launched in 2002 for expatriates with regional roles. The Scheme taxes only that portion of employment income for days spent in Singapore: all income earned during the days outside Singapore is exempted from tax. However, the programme will lapse after YA 2020 and the entire employment income of such expatriates will be subjected to resident tax rate.

ii. Goods and Services Tax (GST).

a. The GST relief on travellers for goods purchased abroad will be reduced.
For travellers who spend more than 48 hours abroad, the relief from the payment of GST will be reduced from S$600 to S$500. For travellers who spend less than 48 hours abroad, the amount would be reduced from S$150 to S$100.

Time spent outside Singapore	Value of goods you don't have to pay GST on (currently)	Value of goods you don't have to pay GST on (From Feb. 19, 2019)
Less than 48 hours	S$150	S$100
More than 48 hours	S$600	S$500

b. The allowable quantity of duty-free alcohol that can be purchased by travellers arriving in Singapore will be reduced from 3 litres to 2, starting from 1 April 2019.

Spirits	Wine	Beer
1	1	-
1	-	1
-	1	1
-	2	-
-	-	2

c. Additionally, sometime between 2021 and 2025, the GST will be increased to 9%.
The government believes that help will be provided for lower-income households and the elderly, with an enhancement of the permanent GST Voucher Scheme, and a GST offset package to help cushion the initial impact of the GST increase.

d. Funds: Concession for partial recovery of input GST for qualifying funds extended to 31 Dec 2024;

e. REITS and RBTs: GST remission in the infrastructure business, ship leasing and aircraft leasing sectors extended to 31 Dec 2025.

iii. Corporate Income Tax.

a. Intellectual Property Rights: Writing down allowance for capital expenditure extended to YA 2025. Enhanced deductions for IP Registration/Licensing;

b. Tax Incentive schemes for Singapore-managed funds extended and refined;

c. Unit Trusts: Designated Unit Trust ("DUT") and Approved Unit Trust ("AUT") schemes lapsed and will not be renewed;

d. REITS: Sunset clause for tax exemption on distributions to individuals removed and concessions extended to 31 Dec 2025.

iv. Property Tax

a. “Tourist Projects Order” concessions lapsed and will not be renewed.

VI. INFOGRAPH OF SINGAPORE BUDGET 2019

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BUDGET 2019 BUILDING A STRONG, UNITED SINGAPORE

STEADY GROWTH IN 2018 AMID CHALLENGES

Key Economic Indicators at a Glance

- GDP grew by 3.2% in 2018
- Real median income of full-time employed citizens grew by 3.6% p.a. over last 5 years
- Productivity grew 3.6% over last 3 years

KEEPING SINGAPORE SAFE AND SECURE

Safe and Secure Home for All

- Invest 30% of total expenditure to support defence, security, and diplomacy efforts
- Home Team Science & Technology Agency

A GLOBAL CITY AND HOME FOR ALL

Linking Our City

- Invest in infrastructure to enhance connectivity - airport, seaport, Cross Island Line

Ensuring a Sustainable Environment for All

- Prepare for climate change

A FISCALLY SUSTAINABLE FUTURE

Preparing for the Future

- Financing for long-term infrastructure
- Strengthen resilience of tax system
- FY2018: $2.1 billion surplus (0.4% of GDP)
- FY2019: $3.5 billion deficit (0.7% of GDP)

SKILLED WORKFORCE, INNOVATIVE FIRMS, AND A VIBRANT ECONOMY

Building Deep Enterprise Capabilities

- Scale-up SG programme
- Innovation Agents programme pilot
- SME Co-Investment Fund III
- Enterprise Financing Scheme
  - Financing support for young companies
  - Extend enhanced working capital support
- SMEs Go Digital programme
- Digital Services Lab
- Automation Support Package
- Pilot one-stop portal for food services

Helping Our People Seize Opportunities

- New Professional Conversion Programmes
- Career Support Programme
- Reduce Dependency Ratio Ceiling
- Enterprise Development Grant
- Productivity Solutions Grant
- Foreign Worker Levy for Marine Shipyard and Process sectors

Partnering to Win

- Local Enterprise and Association Development programme
- Framework for secure exchange of electronic trade documents

Global-Asia Node of Technology, Innovation and Enterprise

- Centres of Innovation in Aquaculture and Energy
- Global Ready Talent Programme

A CARING AND INCLUSIVE SOCIETY

Uplifting Every Singaporean

- UPLIFT – Uplifting Pupils in Life and Inspiring Families Taskforce
- Workfare Income Supplement
- Special Employment Credit (SEC) and Additional SEC

Greater Healthcare Assurance

- Community Health Assist Scheme (CHAS)
- Long-Term Care Support Fund
- Merdeka Generation Package
- 5-Year MediSave Top-ups

A Community of Care and Contribution

- ComCare Long-Term Assistance
- Nurture youth multipliers in IHLs
- Encourage senior volunteerism
- Public Service Cares

Commemorating our Bicentennial

- Bicentennial Community Fund
- Bicentennial Bonus

Other Support to Households

- S&CC Rebate
- Public Transport Fund

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